



Dunelm Group plc

Interim Results Presentation
26 weeks up to 29 December 2012



David Stead

Finance Director

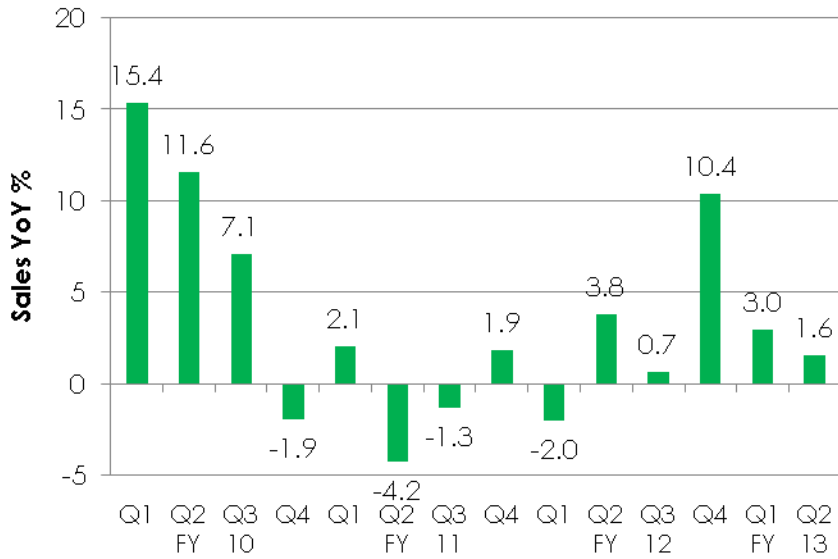
Financial Highlights

Profitable growth continues

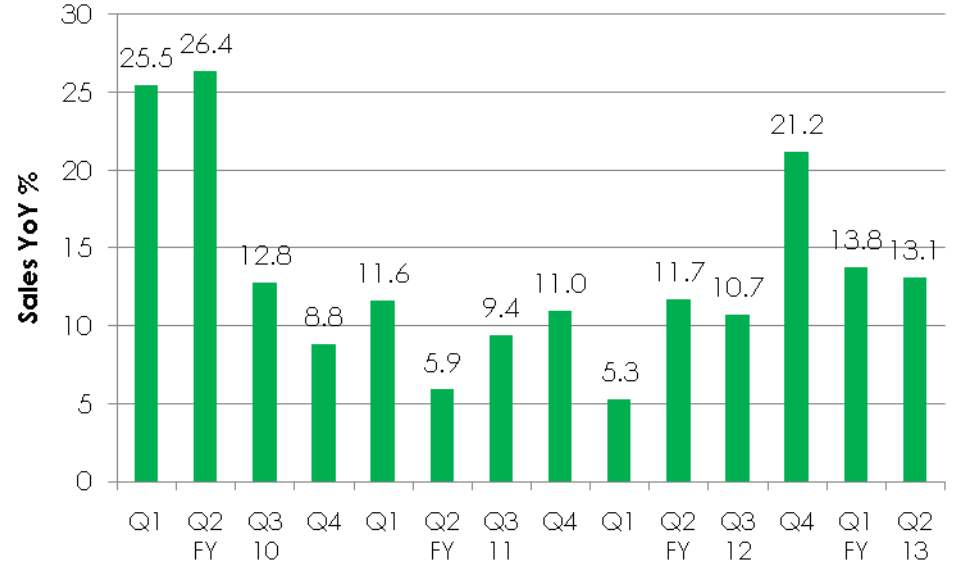
	FY13 H1	FY12 H1	Yr on Yr Change
Sales	£340.1m	£299.9m	+13.4%
LFL Sales growth	+2.2%	+1.1%	
Gross margin	49.5%	49.2%	+30bps
Operating profit	£59.3m	£51.8m	+14.5%
Profit before tax	£59.8m	£52.2m	+14.6%
EPS (fully diluted)	22.1p	18.6p	+18.8%

Sales Growth

Like for Like Sales



Total Sales



Since FY10:

- LFL growth averages 3.4%
- Total growth averages 13.4%
- Consistent market share gains

NB all figures are based on sales excluding VAT

Gross Margin

Positive Drivers

- Direct sourcing
- Commodity prices
- Increasing scale
- Lifecycle management

Negative Drivers

- Investment in price



Operating Costs

Operating costs tightly controlled

	£m	Comments
Operating costs FY12 H1	95.9	
LFL stores	1.0	
Non-LFL stores	11.2	Average 13% additional selling space vs FY12 H1
Other	0.8	
Operating costs FY13 H1	108.9	

Profit After Tax

(£m)	FY13 H1	FY12 H1	
Operating Profit	59.3	51.8	
Financial Items	0.5	0.4	
Profit Before Tax	59.8	52.2	
Tax	(14.7)	(14.3)	Effective rate 24.8%
Profit After Tax	45.1	37.9	
EPS (fully diluted)	22.1p	18.6p	
Dividend	4.5p	4.0p	

Operating Cash Generation

Strong cash conversion

(£m)	FY13 H1	FY12 H1
Operating Profit	59.3	51.8
Depreciation and amortisation	10.0	8.5
Other non-cash movements	1.1	1.1
Working capital movement	5.4	11.7
Net interest	0.6	0.3
Tax paid	(13.0)	(13.2)
Net cash from operations	63.4	60.2

Cash conversion¹	107%	116%
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¹ Net cash from operations as a proportion of operating profit

Working Capital Movement

(£m)	FY13 H1	FY12 H1	Comments
Inventory increase	(8.1)	(7.7)	Net 9 additional superstores
Receivables increase	(2.6)	(3.0)	
Payables increase	16.0	22.4	Seasonality and new stores
Overall reduction	5.4	11.7	

Capital Investment

(£m)	FY13 H1	FY12 H1
Major transactions		
Freehold acquisitions	-	9.6
New Head Office	-	2.9
Ongoing investments		
New store fit-outs	11.6	13.0
Refits and other store investments	2.0	2.4
IT investment	0.8	1.0
Other	0.5	0.5
Total	14.9	29.4

- 2 freehold units acquired in FY12
- 10 new stores fitted out in FY13H1, 11 in comparable period
- 2 major refits completed in FY13 H1, 2 in comparable period

Net Cash Generation

(£m)	FY13 H1	FY12 H1
Net cash from operations	63.4	60.2
Capital expenditure	(14.9)	(29.4)
Dividends paid / return of capital	(86.1)	(16.2)
Other	(0.1)	0.1
Change in net cash	(37.6)	14.7
Period end net cash	27.4	49.9
Daily average net cleared funds	N/A	47.6

Guidance

- LFL sales growth
- Sales from non-LFL stores
- Gross margin
- Operating costs
- Tax
- Capex

Nick Wharton

Chief Executive

Overview

Consistent strategy execution and disciplined operational management

- Customer offer further differentiated with clear opportunities
- Clear scope to grow brand awareness
- Further expanded footprint to 123 superstores
- Multi-channel progress encouraging
- Enhanced organisational and process capability
- Share leadership in large consolidating market

Market Overview

Leader in sizeable fragmented market

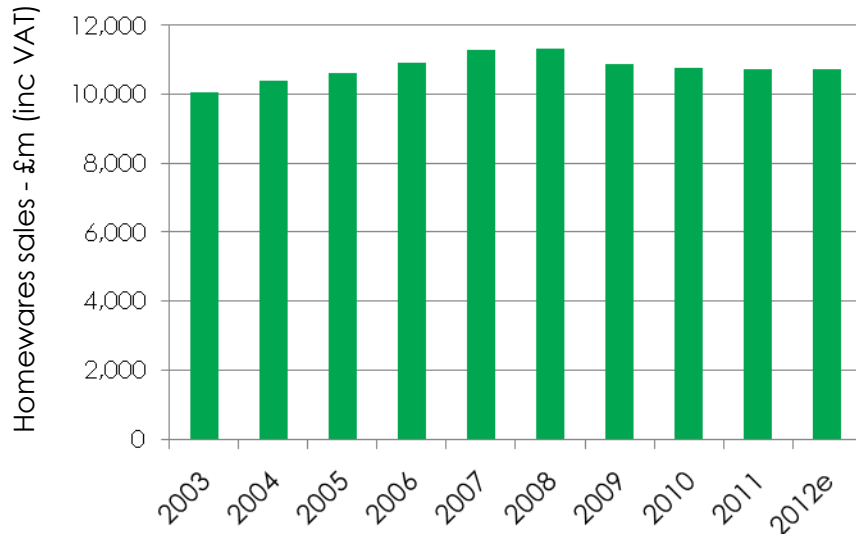
Large market

- £11 bn consumer market
- Value stable post 2008

Classically fragmented

- Top 3 retailers less than 20%
- Top 10 less than 50%
- Independents c.25% & shrinking

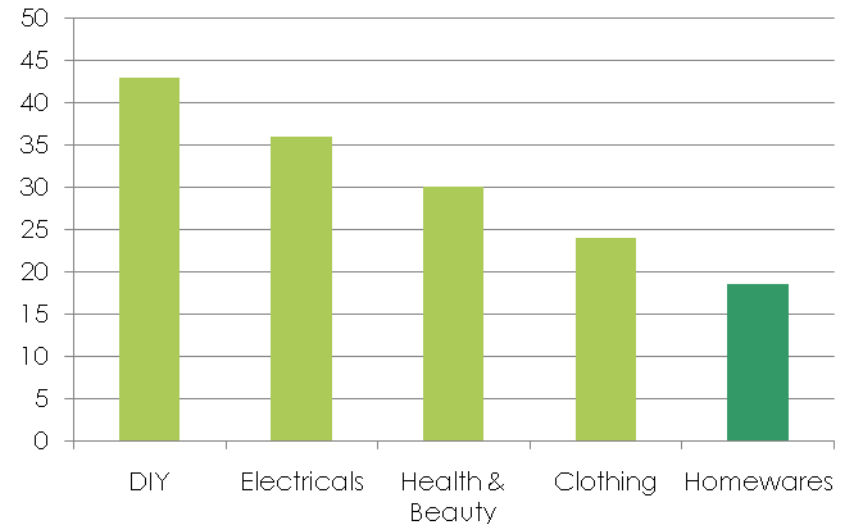
Homewares Market Trend



Homewares Market Shares

	2012	Change vs 2008
Dunelm	6.9%	+2.9%pts
John Lewis	6.8%	+1.7%pts
Argos	4.9%	-0.4%pts
Top 3	18.6%	+3.7%pts
Top 10	48.4%	+7.9%pts
Independents (<0.5%)	22.9%	-12.4%pts

Shares of Top 3 Retailers (by Market)



Growth Strategy

Consistent and effective growth strategy

Further develop specialist position

Expand store portfolio

Grow multi-channel

Develop and exploit infrastructure

Specialist Position

Dunelm's unique proposition resonates with most types of customers

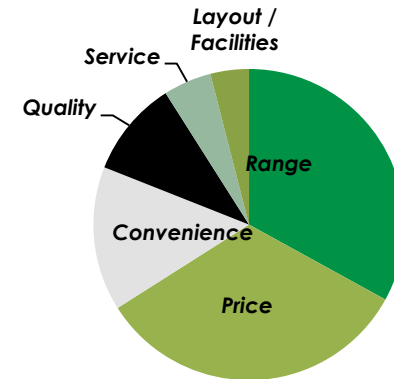
- Choice (Range)

- One-stop Homewares destination
 - 21 departments (hard & soft lines), 20,000 SKU's
 - Expanded domain (e.g. furniture)
- Pricing architecture
 - Entry: Grocer price, higher quality
 - Exit: Branded quality, lower price
- Exclusive brands & products

- Value (Price & Quality)







- Trusted EDLP proposition
- New Lower Prices

Verdict: Homewares Customer Selection Criteria



- Convenience

- Growing Edge of Town store portfolio
- Multi-channel proposition
- Strong in store stock depth

 <p>offer</p>	 <p>Simply 4 Colours £3.99 Bath Towel</p>	 <p>So Soft 10 Colours £8.99 Bath Towel</p>	 <p>Egyptian 30 Colours £9.99 Bath Towel</p>	 <p>Hotel 7 Colours £14.99 Bath Towel</p>	 <p>Dorma 6 Colours £17.99 Bath Towel</p>
	<p>Competitor offer</p> <ul style="list-style-type: none"> • Lower quality • Sold as bale only • 25% more expensive 	<ul style="list-style-type: none"> • Lower quality • 18 colours • 20% more expensive 		<ul style="list-style-type: none"> • Comparable quality • 6 colours • 50% more expensive 	
	<p>Grocer</p>	<p>Mid Tier Department Store</p>		<p>Premium Department Store</p>	

Specialist Position: Service

Developing service as point of difference

- Significant in store task reduction
 - Inventory management
 - Centralised delivery checking
 - 90% penetration of automated replenishment
 - Store logistics
 - Toted deliveries
 - DC single picking (H2 FY13)



- Re-investment in inspiration & engagement
 - Targeted service & training programme
 - “be inspired” builds basket size
 - Expertise communicated via Point of Sale
 - Technological enablement

- Value added services
 - Made to Measure provides differentiation
 - At Home consultations: Roll-out now in progress

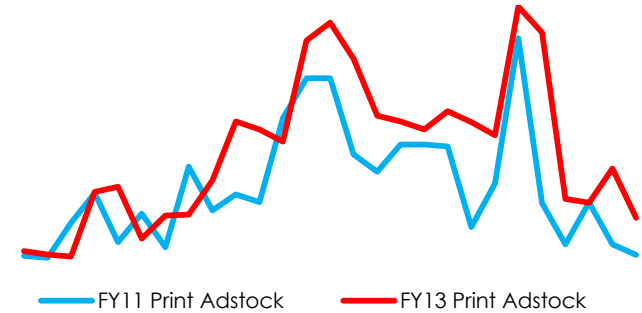


Specialist Position: Communication

Clear priority to increase brand awareness

- Low national brand awareness
- Cross media approach builds awareness
 - National press provides exposure frequency
 - High returns from extensive digital programme
 - Social media targeted to build brand relationship
 - Brand programme: Range / expertise / quality messages

Adstock FY11 vs FY13



- Catalogue
 - Successful Trial: Autumn 2012
 - Two planned for 2013
- Developing PR programme
 - House Beautiful "Home Retailer of the Year"
 - Kitchen "Excellence" Award



Store Portfolio: New Stores

Significant portfolio growth opportunity, with attractive returns

- Portfolio Opportunity / Progress

- Approximately 200 UK superstores
- Development & competition limited
- Attractive tenant
 - Large footprint
 - Strong covenant
- FY13
 - H1: 10 stores, including 2 relocations¹
 - 6 stores legally committed
- Tactical use of freeholds



- Attractive Returns

- Recent payback: 30 months²
- Targeted Payback:
 - Large Catchment: 36 months
 - Small Catchment: 48 months

- Refit Programme

- Ensures contemporary look and feel
- Protects brand standards
- Optimal range selection introduced
- Sales opportunity from new ranges

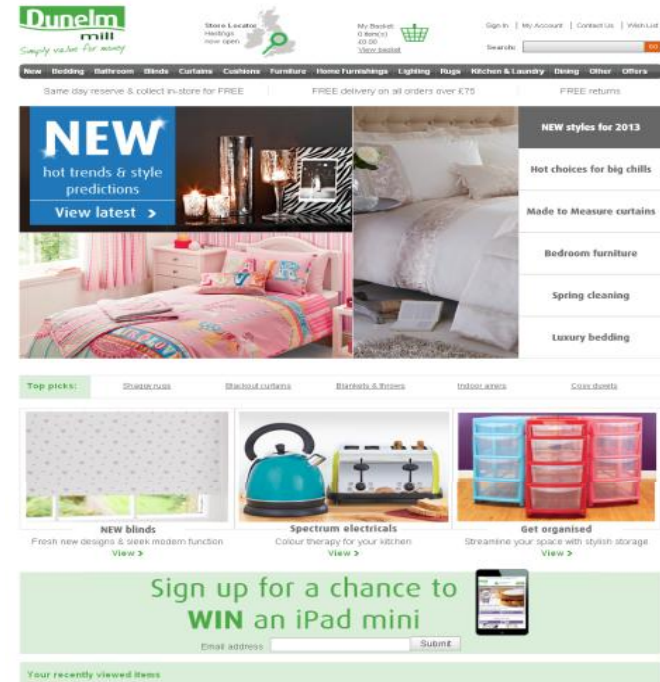
1. Relocated stores include Coventry which was re-opened after fire damage

2. Discounted payback after tax anticipated from stores opening in FY09-FY11

Multi-Channel

Multi-channel increases convenience & creates national showcase

- Opportunity
 - Clear customer preference
 - 'Shop window' expands reach
 - Higher frequency of visit and spend
 - Market differentiation vs. independents
 - Own brand participation protects margin



- Current Position
 - Improving customer experience
 - Growing participation:
 - FY12 average: 2%
 - FY13 Quarter 2: Exit rate: 4%
 - Growing mobile participation
 - www. Dunelm.com acquired
 - Encouraging web extension trial

Multi-Channel

Multi-channel provides further growth opportunity

- Longer term development
 - Platform refresh
 - Compelling content: advice, content and personalisation
 - Extend convenience options including Order & Collect



Buying Guides

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How furniture collections impact your space and give your home the structure it needs.

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Information on duvet thickness and the comforting benefits of the right bed linen fabric.

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Rugs guides

Find the right rugs and runners for your home and deciding between natural & synthetic fibre doormats.

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Cushions guide

Explanations of styles, and care guidance for your filled cushions, cushion covers and cushion pads.

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Kitchen and laundry guides

If you find it here, you'll also find it in the kitchen. Helpful information on kitchen appliances.

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Home furnishing guides

Things to consider when looking for a cosy throw and how mirrors enhance your home.

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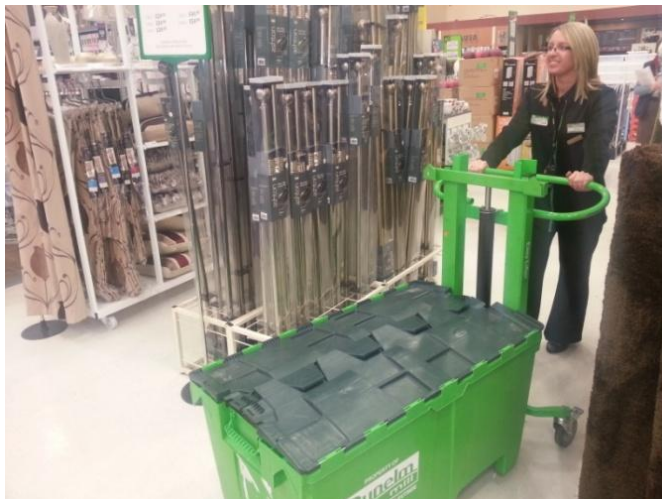
• Near term development

- New Fulfilment Operation
 - Full offer available for home delivery
 - Enhance delivery options
 - Enables larger web exclusive ranges
- Compelling content (e.g. Step by Step Guides)
- Increased convenience e.g. Paypal

Develop and Exploit Infrastructure

Infrastructure and process development underpins growth

- Infrastructure in place to support growth
 - Strong IT backbone
 - Head office (SAP), store (Retail J) and on-line (IBM)
 - Clear upgrade path
 - Flexible Supply Chain:
 - Stores via NDC & Nominated Carrier
 - Dedicated home delivery facility: summer 2013
 - Management capability strengthened
 - Head office provides significant capacity for growth



- Process & Capability development continues
 - Direct Sourcing
 - Supply management
 - Inventory consolidation
 - Quality & inspection
 - Customer offer: Repeatable and consistent
 - Automated replenishment
 - Range & Space management

Summary

Further progress in trading and strategic development

- Robust growth in sales and profit
- Customer offer investments protect market position
- New store expansion continues with solid pipeline
- Multi-channel revenue and earnings momentum
- Functionally rich and robust infrastructure
- Strengthened process and organisational discipline

Strong foundation for continued growth



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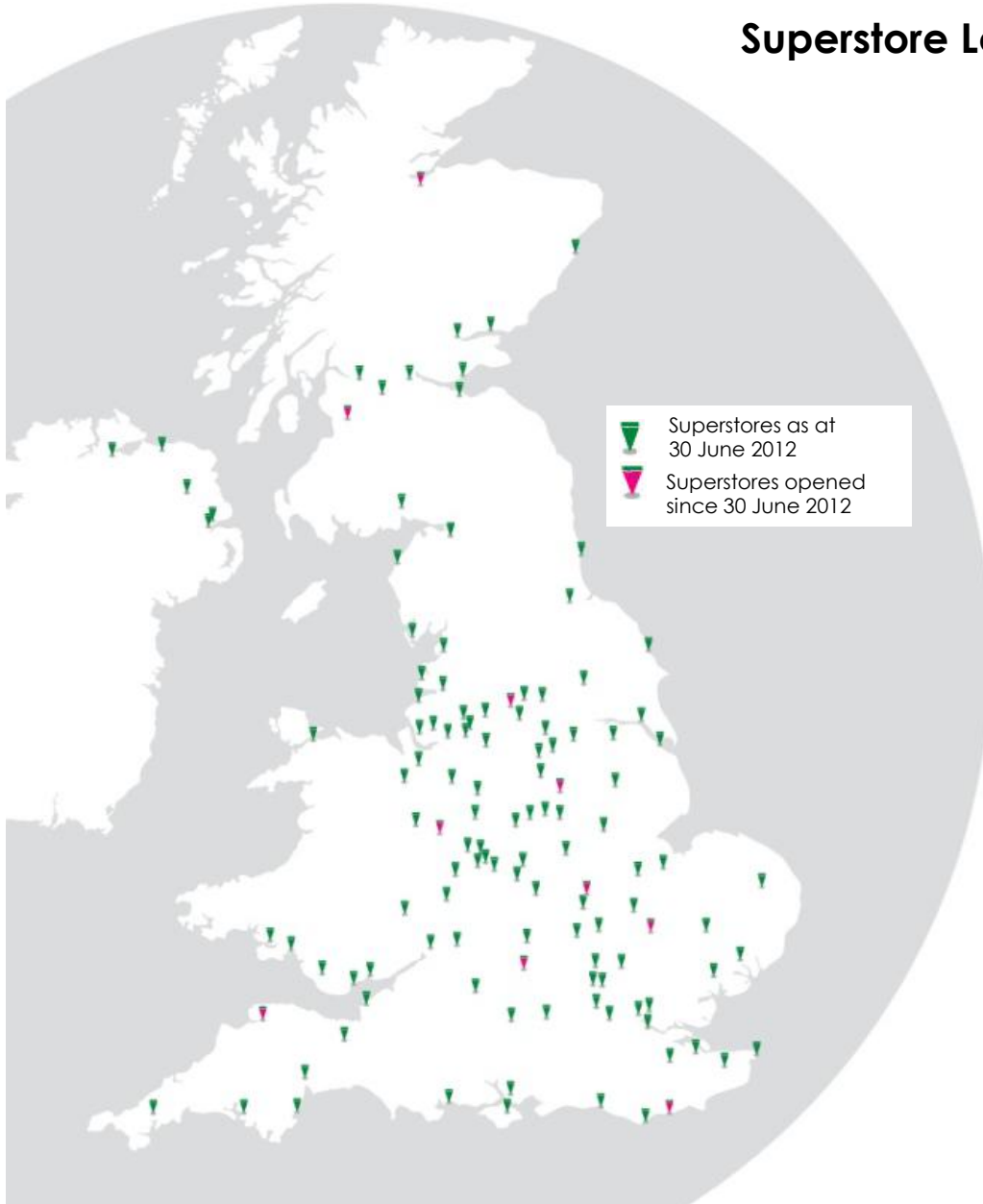


Summary Balance Sheet

(£m)	29 December 2012	31 December 2011
Total non-current assets	155.1	151.5
Inventories	94.3	84.1
Receivables	20.0	17.5
Cash	27.4	49.9
Total assets	295.8	303.1
Current liabilities	(114.1)	(121.4)
Non-current liabilities	(0.3)	(0.7)
Net assets	181.4	181.0
Share capital	2.0	2.0
Share premium/other reserves	44.1	43.9
Retained earnings	135.6	135.1
Total equity	181.4	181.0

Store Portfolio: New Stores & Committed Stores

Superstore Locations



Committed Superstore Locations

